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October 7, 2005

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.   
Director and Chief Medical Officer

SUBJECT: **RECOMMENDATION TO CANCEL THE PLANNED BEILENSEN  
HEARING CONCERNING PROPOSED REDUCTIONS AT  
KING/DREW MEDICAL CENTER**

The Department received additional information today from the State Department of Health Services regarding the potential financial implications of the elimination of inpatient obstetric services at King/Drew Medical Center (KDMC). This information has caused the Department to rescind its recommendation to move forward at this time to eliminate inpatient obstetrics, inpatient pediatric, the neo-natal intensive care unit, the pediatric intensive care unit and outpatient prenatal services at KDMC. Therefore, the Department recommends that your Board cancel the Beilenson Hearing regarding these recommendations that is scheduled for October 18, 2005.

**BACKGROUND**

KDMC receives supplemental Medi-Cal payments under the Disproportionate Share Hospital funding program (DSH). Last year, KDMC received \$29 million under this program. The Department anticipates a greater amount of DSH funding this fiscal year.

In order to qualify for DSH funding, hospitals must serve a disproportionate share of Medi-Cal and uninsured patients and meet other requirements set forth in the Federal laws governing the program. One requirement is that each DSH hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to

provide obstetrical services to Medicaid patients.

Based on the County's plan to retain gynecology services at the hospital performed by obstetricians on staff, it was believed that the proposed reductions would not impact KDMC's DSH eligibility. However, because the statute is somewhat ambiguous, the County sought clarification from the State Department of Health Services on September 15, 2005 on whether the recommended reductions could impact the hospital's DSH eligibility.

Representatives from the State Department of Health Services informed the Department today that their interpretation of the law is that a hospital must have non-emergency obstetrical services available in order to be DSH eligible. Therefore, to go forward with the service reductions as planned would result in the potential loss of more than \$29 million in annual funding.

#### **RECOMMENDATION**

Based on the State's position and the potential loss of more than \$29 million in funding, the Department is recommending that inpatient obstetrics be retained at the hospital. The Department is also recommending that, with the retention of inpatient obstetrics, that the neonatal intensive care unit remain open as well as outpatient prenatal services. Because of the retention of these services, the Department believes that it is not advisable to proceed at this time with the elimination of inpatient pediatrics and the pediatric intensive care unit because of the limited benefit of these reductions in isolation of the other planned service changes.

If you require any additional information, please let me know.

TLG:jw

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Chair, King/Drew Hospital Advisory Board